

N. 8837

No. 13932

United States
Court of Appeals
for the Ninth Circuit.

UNITED STATES OF AMERICA,
Appellant,
vs.

EBEN H. CARRUTHERS and NANCY
CARRUTHERS, Appellees.

Transcript of Record

Appeal from the United States District Court for the
District of Oregon

FILED

NOV 12 1953

PALM R. O'BRIEN

CLERK

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UNITED STATES OF AMERICA,
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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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For Appellants.

HENRY L. HESS,
United States Attorney;

VICTOR E. HARR,
Assistant United States Attorney,
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For Appellee.

In the United States District Court for the
District of Oregon

Civil No. 6486

EBEN H. CARRUTHERS and NANCY
CARRUTHERS, Plaintiffs,

vs.

UNITED STATES OF AMERICA,
Defendant.

COMPLAINT

1. This is an action for the recovery of individual income taxes erroneously and illegally collected from plaintiffs by the Collector of Internal Revenue of the United States, for the District of Oregon, for the calendar year 1950. Jurisdiction of this action is based upon Section 1346 (a)(1) of Title 28, United States Code.

2. Plaintiffs are, and at all times mentioned herein were, residents and inhabitants of Clatsop County, Oregon, Hugh H. Earle is, and since September 1, 1947 has been, the Collector of Internal Revenue for the District of Oregon.

3. Plaintiffs are, and at all times mentioned herein were, husband and wife.

4. Heretofore, and by virtue of certain agreements, plaintiff Eben H. Carruthers granted to the E. H. Carruthers Company, an Oregon corporation, the exclusive license to manufacture, use, sell or lease certain inventions relating to the processing and packing of tuna fish. Such license extends for the life of the patents and for such additional time

thereafter as there would be measurable return from the use of such patents by such company. Amounts designated as "royalties" were provided as payment to plaintiff Eben H. Carruthers for the exclusive license to use, manufacture, sell or lease said inventions and patents. The amount so received by plaintiff Eben H. Carruthers in the year 1950 represented profit to him on the sale of said patents and was, therefore, taxable at capital gain rates in accordance with the provisions of Section 117 of the Internal Revenue Code of the United States.

5. The income of plaintiff Eben H. Carruthers for the year 1950 was reported by him in a joint income tax return filed with plaintiff Nancy Carruthers. In filing their income tax return for the year 1950 plaintiffs erroneously reported as ordinary income the amounts so received by plaintiff Eben H. Carruthers in the year 1950 from E. H. Carruthers Company, an Oregon corporation. Plaintiffs paid the income tax due on their said return to the Collector of Internal Revenue of the United States for the District of Oregon, in the total amount of \$10,581.98. Thereafter, and on or about October 1, 1951, plaintiffs duly filed with the Collector of Internal Revenue of the United States for the District of Oregon, for transmission to the Commissioner of Internal Revenue of the United States, their claim for refund of \$3,635.92, upon the ground that the amount so received by plaintiff Eben H. Carruthers in the year 1950 represented profit to him on the sale of said patents, rather than ordinary income to him.

6. Plaintiffs have not received the statutory notice of the disallowance of said refund claim, as provided in Section 3772 (a)(2) of the Internal Revenue Code of the United States, but more than six months have expired since the filing of said refund claim.

7. The amounts received by plaintiff Eben H. Carruthers during the year 1950 from E. H. Carruthers Company, an Oregon corporation, by virtue of said agreements, constituted long-term capital gains subject to the limitations of Section 117 of the Internal Revenue Code of the United States, Title 26.

Wherefore, plaintiffs pray for judgment against defendant in the amount of \$3,635.92, with interest thereon as provided by law, and for their costs and disbursements incurred herein.

/s/ GORDON SLOAN,
/s/ CARL E. DAVIDSON,
/s/ CHARLES P. DUFFY,
Attorneys for Plaintiffs

[Endorsed]: Filed June 2, 1952.

[Title of District Court and Cause.]

ANSWER

The defendant, by and through, Henry L. Hess, United States Attorney in and for the District of Oregon for answer to the complaint herein filed, alleges:

I.

Defendant denies the allegations contained in paragraph 1, except that it admits that this action is for the recovery of income taxes paid to the Collector of Internal Revenue for the calendar year 1950 and that the action purports to be brought under the provisions of Section 1346 (a)(1) of Title 28, United States Code.

II.

Defendant admits the allegations contained in paragraph 2.

III.

Defendant admits the allegations contained in paragraph 3.

IV.

Defendant denies the allegations contained in the last sentence of paragraph 4. Defendant is without knowledge or information sufficient to form a belief as to the truth of the other allegations contained in paragraph 4.

V.

Defendant admits the allegations contained in paragraph 5, except that it denies the allegations contained in second sentence of said paragraph and denies any allegations contained in said claim for refund not herein specifically admitted.

VI.

Defendant admits the allegations contained in paragraph 6.

VII.

Defendant denies the allegations contained in paragraph 7.

Wherefore, having fully answered, defendant prays that the complaint be dismissed at plaintiff's costs.

/s/ HENRY L. HESS,
United States Attorney
/s/ VICTOR E. HARR,
Asst. U. S. Attorney
/s/ DONALD W. McEWEN,
Asst. U. S. Attorney

Affidavit of Service by Mail attached.

[Endorsed]: Filed Aug. 28, 1952.



[Title of District Court and Cause.]

PRETRIAL ORDER

This cause having come on regularly for a pre-trial conference before the Honorable Claude McColloch, one of the judges of the above-entitled court, at Portland, Oregon, on the 21st day of November, 1952, plaintiffs appearing by Gordon Sloan and Charles P. Duffy, their attorneys, and defendant appearing by Fred S. Gilbert, Special Assistant to the Attorney General of the United States, and Thomas R. Winter, Civil Advisory Counsel of the Bureau of Internal Revenue of the United States, and the following proceedings were had and done:

Admitted Facts

It appears from the pleadings and the pretrial proceedings that the following facts are admitted and may be taken and deemed by the Court on the trial of this action as established facts therein:

I.

This is an action for the recovery of individual income taxes collected from plaintiffs by a former Collector of Internal Revenue of the United States for the District of Oregon for the calendar year 1950. Jurisdiction of this action is based upon Section 1346 (a)(1) of Title 28, United States Code.

II.

Plaintiffs are, and at all times material herein, were residents and inhabitants of Clatsop County, Oregon. During the period from September 1, 1947, to November 1, 1952, Hugh H. Earle was the Collector of Internal Revenue for the District of Oregon.

III.

Plaintiffs are, and at all times material herein were, husband and wife.

IV.

On or about the 27th day of May, 1950, plaintiff Eben H. Carruthers entered into a "contract" with the E. H. Carruthers Company, an Oregon corporation, (a copy of which has been marked herein as Plaintiffs' Exhibit 4), and on or about the 31st day of May, 1950, plaintiff, Eben H. Carruthers, entered into a "License Agreement" with the same corpora-

tion (a copy of which is marked herein as Plaintiffs' Exhibit 5), under the terms of which plaintiff Eben H. Carruthers, among other things, granted to said corporation "an exclusive license to manufacture, use, sell or lease machinery or to practice any method in accordance with or as set forth in certain United States and foreign patents and applications for patents, together with the right to sublicense others", as more fully stated in said agreement.

V.

At the time of incorporation of the E. H. Carruthers Company, an Oregon corporation, on June 1, 1945, the stockholders of said corporation were as follows:

Stockholder	No. of Shares
Eben H. Carruthers	80
Richard Schroeder	10
Winslow E. Thompson	10

At the time the agreements described in the foregoing paragraph were entered into the stock of E. H. Carruthers Company, an Oregon corporation, was owned as follows:

Stockholder	No. of Shares
Winslow E. Thompson	10
Bio-Products, Oreg. Ltd.....	20
Richard Schroeder	9
Gordon Sloan	3
Winslow E. Thompson, Trustee for Myra G. Carruthers	29
Eben H. Carruthers	29

VI.

The inventions of plaintiff Eben H. Carruthers, which were the subject of the agreements described in Paragraph IV above, had been reduced to practice more than six months prior to the 27th day of May, 1950.

VII.

On February 9, 1951, the plaintiffs filed a joint income tax return for the year 1950 reporting a total net income of \$36,927.44 and a tax liability of \$10,581.98, which was duly paid. In this return the plaintiffs included as ordinary gross income the total amount of \$38,976.75, received from the E. H. Carruthers Company in accordance with Paragraphs 2, 3 and 4 of the contract of May 27, 1950 (Plaintiffs' Exhibit 4).

On October 2, 1951, the plaintiffs filed an amended joint income tax return showing a net income of \$28,419.06 and a timely claim for refund on Form 843 for \$3,635.92, upon the ground that the amount of \$17,016.75 received by plaintiff Eben H. Carruthers in the year 1950 as provided in Paragraph 4 of the contract of May 27, 1950 (Plaintiffs' Exhibit 4) represented profit to him on the sale of patent rights as a long term gain rather than ordinary income to him. Copies of the plaintiffs' original and amended income tax returns and the refund claim which was duly and timely filed are marked herein as plaintiffs' Exhibits 6, 7 and 8, respectively.

VIII.

Plaintiff Eben H. Carruthers received the follow-

ing amounts from the E. H. Carruthers Company during the year 1950 under the provisions of the contract of May 27, 1950:

Amount received as computed under paragraph 2: \$8,460.00.

Amount received as computed under paragraph 3: \$13,500.00.

Amount received as computed under paragraph 4: \$17,016.75.

IX.

Plaintiffs have not received the statutory notice of the disallowance of said refund claim, as provided in Section 3772 (a)(2) of the Internal Revenue Code, but more than six months expired between the filing of said refund claim and the commencement of this action.

Plaintiffs' Contentions

I.

The said inventions and patents constituted either "capital assets", as defined in Section 117(a) of the Internal Revenue Code, or constituted property used in plaintiffs' trade or business, as defined in Section 117(j) of the Internal Revenue Code.

II.

The contract of May 27, 1950 (Plaintiffs' Exhibit 4) and the License Agreement dated May 31, 1950 (Plaintiffs' Exhibit 5) constituted a sale of said inventions and patents within the meaning of Section 117 of the Internal Revenue Code.

III.

The amounts received by plaintiff, Eben H. Carruthers, during the year 1950 as "royalties" from E. H. Carruthers Company, an Oregon corporation, by virtue of said agreements, were within the purview of Section 117 of the Internal Revenue Code and were subject to the limitations of Section 117(b) of the Internal Revenue Code.

IV.

Plaintiffs are entitled to a refund of income taxes paid by them for the year 1950 in the amount of \$3,635.92, with interest as provided by law.

Defendant's Contentions

I.

The right granted to the E. H. Carruthers Company was not an absolute assignment which would constitute a sale, but only a license to use patents in the limited field of the tuna industry.

II.

The patents were "property held for sale to customers in the ordinary course of business" and thus were not capital assets under Section 117(a) Internal Revenue Code (26 U.S.C.A. 117 (a)). Therefore, amounts received were ordinary income.

III.

If the patents were capital assets and if there was an absolute assignment which would constitute a sale instead of a license, there was no gain on

such a sale of the patents because under the contract of employment, Paragraph 5, Page 2 thereof, no further consideration was paid by the E. H. Carruthers Company to the plaintiff, Eben H. Carruthers, for this exclusive license to use the patents in the tuna industry other than the amounts paid him under his employment contract of May 27, 1950 and which amounts received were ordinary income.

Issues To Be Determined

I.

Whether or not the rights, limited to the tuna industry, granted by the contract and license agreement (Plaintiffs' Exhibits 4 and 5) constituted an absolute assignment and a sale by Eben H. Carruthers of his patents to E. H. Carruthers Company, or was only a license to use the patents in the tuna industry.

II.

Whether or not the said inventions and patents were held by the plaintiff, Eben H. Carruthers, primarily for sale to customers in the ordinary course of his trade or business.

III.

In the event the Court determines that the patents were capital assets and that there was an absolute assignment which would constitute a sale instead of a license, then the defendant contends that an issue for determination is:

What consideration, if any, was paid by the E. H.

Carruthers Company to the plaintiff, Eben H. Carruthers, for the patent rights.

Exhibits

The following exhibits were introduced at the pretrial conference:

Plaintiffs' Exhibit 1: Copy of agreement dated February 1, 1947, between Eben H. Carruthers and E. H. Carruthers Company.

Plaintiffs' Exhibit 2: Copy of the minutes of Special Meeting of the Stockholders of the E. H. Carruthers Company, held on April 1, 1950.

Plaintiffs' Exhibit 3: Copy of the Minutes of Special Meeting of the Board of Directors of E. H. Carruthers Company held on April 1, 1950.

Plaintiffs' Exhibit 4: Copy of contract dated May 27, 1950, between Eben H. Carruthers and E. H. Carruthers Company.

Plaintiffs' Exhibit 5: Copy of License Agreement dated May 31, 1950, between Eben H. Carruthers and the E. H. Carruthers Company.

Plaintiffs' Exhibit 6: Plaintiffs' Income Tax Return for the year 1950.

Plaintiffs' Exhibit 7: Plaintiffs' Amended Income Tax Return for the year 1950.

Plaintiffs' Exhibit 8: Plaintiffs' Refund Claim.

Plaintiffs' Exhibit 9: Article on patent developments.

Plaintiffs' Exhibit 10: Booklet on Pak-Shaper Process.

Defendant's Exhibit A: Abstract of assignments, agreements, licenses, powers of attorney, and other

instruments in writing found of record by United States Patent Office up to and including August 6, 1952, that may affect all inventions and patents under the name Eben H. Carruthers solely or jointly as inventors.

Defendant's Exhibit B: Patent Applications.

It is agreed by the parties that this pretrial order will govern the course of the trial and will not be amended, except by consent or to prevent manifest injustice.

The Court finding that the foregoing clearly and accurately reflects the pretrial conference had herein and the stipulations and agreements of the parties, hereby ratifies and confirms the foregoing proceedings in all things and does hereby

Order that the said pretrial order be and the same is hereby incorporated into and hereby made a part of the record in this case for the purpose of controlling the course of proceedings on the formal trial hereof before the Court.

Dated this 21st day of November, 1952.

/s/ CLAUDE McCOLLOCH,
District Judge

Approved:

/s/ CHARLES P. DUFFY,
of Attorneys for Plaintiffs

/s/ THOMAS R. WINTER,
of Attorneys for Defendant

[Endorsed]: Filed November 21, 1952.

[Title of District Court and Cause.]

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This cause, having come on regularly for trial without a jury before the Honorable Claude McCulloch, one of the judges of the above-entitled Court, at Portland, Oregon, on the 21st day of November, 1952, plaintiffs appearing by Gordon Sloan and Charles P. Duffy, their Attorneys, and defendant appearing by Fred S. Gilbert, Special Assistant to the Attorney General of the United States, and Thomas R. Winter, Civil Advisory Counsel of the Bureau of Internal Revenue of the United States, and the parties having produced testimony and evidence in behalf of their respective contentions, as reflected by the pretrial order previously made and entered herein; and

The Court, having thereafter considered fully all matters of fact and law presented by the parties and being at this time fully advised, does make the following

Findings of Fact

I.

Plaintiffs instituted this action to recover individual income taxes collected from them by a former Collector of Internal Revenue of the United States for the District of Oregon, for the calendar year 1950. Jurisdiction of this action is based upon Section 1346(a)(1) of Title 28, United States Code.

II.

Plaintiffs are, and at all times material herein were, residents and inhabitants of Clatsop County, Oregon. During the period from September 1, 1947 to November 1, 1952, Hugh H. Earle was the Collector of Internal Revenue for the District of Oregon.

III.

Plaintiffs are, and at all times material herein were, husband and wife.

IV.

On the 27th day of May, 1950 plaintiff Eben H. Carruthers entered into a contract with the E. H. Carruthers Company, an Oregon corporation, (copy of which was admitted herein as plaintiffs' Exhibit 4) and on the 31st day of May, 1950 plaintiff Eben H. Carruthers entered into a "license agreement" with the same corporation (copy of which was admitted herein as plaintiffs' Exhibit 5), under the terms of which he granted to the company "an exclusive license to manufacture, use, sell or lease machinery or to practice any method in accordance with or as set forth in certain United States and foreign patents and applications for patents, together with the right to sub-license others", as more fully stated in the agreement. The exclusive license was "limited to the tuna canning industry", but extended "to the end of the term of any patent listed or to the end of the term of any patent which may issue upon a patent application listed".

V.

The inventions of plaintiff Eben H. Carruthers, which were the subject of the said agreements, had been reduced to practice more than six months prior to the 27th day of May, 1950.

VI.

On February 9, 1951, plaintiffs filed a joint income tax return for the year 1950 reporting a total net income of \$36,927.44 and a tax liability of \$10,581.98, which was duly paid. In this return the plaintiffs included as ordinary gross income the total amount of \$38,976.75, received from the E. H. Carruthers Company in accordance with Paragraphs 2, 3 and 4 of the contract of May 27, 1950 (plaintiffs' Exhibit 4).

On October 2, 1951, the plaintiffs filed an amended joint income tax return showing a net income of \$28,419.06 and a timely claim for refund on Form 843 for \$3,635.92, upon the ground that the amount of \$17,016.75 received by plaintiff Eben H. Carruthers in the year 1950, as provided in Paragraph 4 of the contract of May 27, 1950 (plaintiffs' Exhibit 4) represented profit to him on the sale of patent rights as a long term capital gain rather than ordinary income to him.

VII.

Plaintiffs did not receive a statutory notice of the disallowance of said refund claim, as provided in Section 3772 (a)(2) of the Internal Revenue Code, but more than six months expired between the filing

of said refund claim and the commencement of this action.

VIII.

The license agreement dated May 31, 1950 (plaintiffs' Exhibit 5) constituted an absolute assignment and sale of all of the inventions, applications for patent and patents described therein. The amount of \$17,016.75 received by plaintiff Eben H. Carruthers in the year 1950 as "royalties" was in consideration for such assignment and sale.

IX.

The inventions, applications for patent and patents described in said agreement did not constitute property held by plaintiff Eben H. Carruthers primarily for sale to customers in the ordinary course of trade or business.

From the foregoing Findings of Fact, the Court draws the following

Conclusions of Law

I.

The inventions, applications for patent and patents described in said license agreements were capital assets in the hands of plaintiff Eben H. Carruthers.

II.

The contract of May 27, 1950 (plaintiffs' Exhibit 4) and the license agreement dated May 31, 1950 (plaintiffs' Exhibit 5) constituted an absolute assignment and sale of said inventions, applications

for patent and patents, within the meaning of Section 117 of the Internal Revenue Code.

III.

The amounts received by plaintiff Eben H. Carruthers during the year 1950 as "royalties" from E. H. Carruthers Company, an Oregon corporation, by virtue of said agreements, were within the purview of Section 117 of the Internal Revenue Code and were subject to the limitations of Section 117(b) of the Internal Revenue Code.

IV.

By reason of the foregoing, plaintiffs are entitled to recover judgment of and from defendant for the sum of \$3,635.92, together with interest thereon, as provided by law, and for their allowable costs and disbursements incurred herein.

Dated this 3rd day of March, 1953.

/s/ CLAUDE McCOLLOCH,
District Judge

Acknowledgment of Service attached.

[Endorsed]: Filed March 3, 1953.

In the United States District Court for the
District of Oregon

Civil No. 6486

EBEN H. CARRUTHERS and NANCY
CARRUTHERS, Plaintiffs,

vs.

UNITED STATES OF AMERICA,
Defendant.

JUDGMENT

This cause, having come on regularly for trial without a jury before the Honorable Claude McCulloch, one of the judges of the above-entitled court, at Portland, Oregon, on the 21st day of November, 1952, plaintiffs appearing by Gordon Sloan and Charles P. Duffy, their attorneys, and defendant appearing by Fred S. Gilbert, Special Assistant to the Attorney General of the United States, and Thomas R. Winter, Civil Advisory Counsel of the Bureau of Internal Revenue of the United States, and the parties having produced testimony and evidence in behalf of their respective contentions, as reflected by the pretrial order previously made and entered herein; and

The Court having considered fully all matters of fact and law presented by the parties, and Findings of Fact and Conclusions of Law having been submitted by plaintiffs, which Findings of Fact and Conclusions of Law have heretofore been signed by the Court and entered of record on the 3rd day of March, 1953.

Now, Therefore, based upon the foregoing Findings of Fact and Conclusions of Law,

It Is Hereby Considered, Ordered and Adjudged that plaintiffs have and recover judgment of and from defendant for the sum of \$3,635.92, together with interest thereon, as provided by law, and for their allowable costs and disbursements incurred herein.

Dated this 3rd day of March, 1953.

/s/ CLAUDE McCOLLOCH,
District Judge

[Endorsed]: Filed March 3, 1953.

[Title of District Court and Cause.]

NOTICE OF APPEAL

To: Eben H. Carruthers and Nancy Carruthers, plaintiffs, and their attorneys, Gordon Sloan, Carl E. Davidson and Charles P. Duffy:

Notice is hereby given that the United States of America, defendant above-named, hereby appeals to the United States Court of Appeals for the Ninth Circuit, from the Judgment entered in this action on the 3rd day of March, 1953, in favor of plaintiffs and against defendant.

Dated this 30th day of April, 1953.

/s/ HENRY L. HESS,

United States Attorney for the District of Oregon

/s/ VICTOR E. HARR,

Assistant United States Attorney

[Endorsed]: Filed May 1, 1953.

[Title of District Court and Cause.]

ORDER

This matter coming on to be heard *ex parte* this day upon motion of defendant through its attorneys, Henry L. Hess, United States Attorney, and Victor E. Harr, Assistant United States Attorney, for an order extending time for the filing of the record on appeal and docketing the within action in the United States Court of Appeals for the Ninth Circuit, to enable the Department of Justice to have additional time to consider the appeal, and the Court being advised in the premises, it is hereby

Ordered that the time for filing the within appeal and docketing the action be, and it is hereby extended to ninety days from the first date of the Notice of Appeal.

Made and entered at Portland, Oregon, this 2nd day of June, 1953.

/s/ CLAUDE McCOLLOCH,

U. S. District Judge

[Endorsed]: Filed June 2, 1953.

[Title of District Court and Cause.]

STATEMENT OF POINTS UPON WHICH
APPELLANT WILL RELY ON APPEAL

(1) The Court erred in its finding of fact number 8 in finding that the license agreement dated May 31, 1950 constituted an absolute assignment and sale of all of the inventions, applications for patent and patents described therein and that the amount of \$17,016.75 received by Eben Carruthers was in consideration of such assignment and sale.

(2) The Court erred in its conclusion of law number 2 in concluding that the contract of May 27, 1950, and the license agreement dated May 31, 1950 constituted an absolute assignment and sale of inventions and applications for patent and patents within the meaning of Section 117 of the Internal Revenue Code.

(3) The Court erred in its conclusion of law number 3 in concluding that the amounts received by plaintiff Eben Carruthers during the year 1950 as "royalties", by virtue of said agreements were within the purview of Section 117 of the Internal Revenue Code and were subject to the limitations of Section 117(b) of the Internal Revenue Code.

(4) The Court erred in its conclusion of law number 4 in concluding that plaintiffs were entitled to recover judgment from the defendant.

(5) The Court erred in entering judgment against the defendant.

/s/ HENRY L. HESS,
United States Attorney

Affidavit of Service by Mail attached.

[Endorsed]: Filed June 19, 1953.

—————

[Title of District Court and Cause.]

DESIGNATION OF RECORD ON APPEAL

Pursuant to Rule 75, of the Rules of Civil Procedure for the District Courts of the United States, the appellants designate that there be included in the record on appeal the following documents, records and exhibits and other matters required under the rules of this court or of the Court of Appeals for the Ninth Circuit to be so included.

- (1) Plaintiffs' complaint.
- (2) Defendant's answer.
- (3) Pre-trial order dated November 21, 1952.
- (4) Transcript of proceedings dated November 21, 1952.
- (5) Plaintiffs' Exhibits 1 through 8; Defendant's Exhibits A and B.
- (6) Findings of Fact and Conclusions of Law.
- (7) Judgment entered March 3, 1953.
- (8) Notice of Appeal.

(9) All docket entries.

(10) All orders of this Court relating to preparation of the record, or contents thereon, on appeal, or extensions of time for filing of record, or docketing case on appeal.

(11) Statement of points on which appellant will rely.

(12) This designation.

/s/ HENRY L. HESS,
United States Attorney

Affidavit of Service by Mail attached.

[Endorsed]: Filed June 19, 1953.

[Title of District Court and Cause.]

ORDER

This matter coming on ex parte upon motion of appellant in the above-entitled case for an order directing the Clerk of the above-entitled Court to transmit to the Ninth Circuit Court of Appeals as a part of defendant-appellant's designation of record on appeal, Plaintiffs' Exhibits 1 through 8 and Defendant's Exhibits A and B; and

It appearing to the Court that the parties have stipulated for the transmission of said exhibits, and the Court being advised in the premises; it is

Ordered that the Clerk be and he is hereby au-

thorized and directed to transmit, as a part of defendant-appellant's designation of record on appeal herein, Plaintiffs' Exhibits 1 through 8 and Defendant's Exhibits A and B.

Made and entered this 3rd day of July, 1953.

/s/ CLAUDE McCOLLOCH,
Judge

[Endorsed]: Filed July 3, 1953.

[Title of District Court and Cause.]

DOCKET ENTRIES

1952

June 2—Filed complaint.

June 2—Issued summons—to marshal.

June 3—Filed summons with marshal's return.

Aug. 8—Filed stipulation for order allowing deft. to Sept. 3, 1952, to answer.

Aug. 8—Filed and entered order allowing deft. to Sept. 3, 1952, to answer. McC.

Aug. 28—Filed answer.

Sept. 22—Entered order setting for pre-trial conference on Nov. 17, 1952. S.

Nov. 17—Entered order setting for trial on Nov. 21, 1952. McC.

Nov. 21—Record of trial before court. Plntf. to have 30 days to file brief; 30 days for defendant; 15 days thereafter to plntf. for reply briefs. McC.

1952

Nov. 21—On motion Atty Winters, Fred S. Gilbert, Jr., admitted specially.

Nov. 21—Filed and entered pre-trial order. McC.

Dec. 19—Filed plntfs' brief.

1953

Jan. 21—Filed brief for the United States.

Feb. 5—Filed pltfs' reply brief.

Mar. 3—Filed and entered Findings of Fact and Conclusions of Law. McC.

Mar. 3—Filed and entered judgment for ptff for \$3,635.92 with interest and costs. McC.

May 1—Filed notice of appeal by U. S. and copies mailed to attys for plaintiffs.

June 2—Filed motion for extension of time to file record on appeal.

June 2—Filed and entered order extending to 90 days from first date of notice of appeal time to file and docket appeal. McC.

June 19—Filed designation of record on appeal.

June 19—Filed statement of points upon which appellant will rely on appeal.

June 29—Filed transcript of proceedings of Nov. 21, 1953 in duplicate.

July 3—Filed stipulation for order to transmit exhibits on appeal.

July 3—Filed and entered order to transmit exhibits on appeal. McC.

[Title of District Court and Cause.]

CERTIFICATE OF CLERK

United States of America,
District of Oregon—ss.

I, F. L. Buck, Acting Clerk of the United States District Court for the District of Oregon, do hereby certify that the foregoing documents consisting of Complaint; Answer; Pre-trial order; Findings of Fact and Conclusions of Law; Judgment; Notice of appeal; Order dated June 2, 1953; Statement of points upon which appellant will rely on appeal; Designation of record on appeal; Order dated July 3, 1953; and Transcript of docket entries constitute the record on appeal from a judgment of said court in a cause therein numbered Civil 6486, in which Eben H. Carruthers and Nancy Carruthers are the plaintiffs and appellants and United States of America is the defendant and appellee; that the said record has been prepared by me in accordance with the designation of contents of record on appeal filed by the appellant, and in accordance with the rules of this court.

I further certify that there is also enclosed herewith duplicate transcript of proceedings dated November 21, 1952, filed in this office in this cause, together with plaintiffs' exhibits 1 to 8, inclusive, and defendant's exhibits A and B.

EBEN H. CARRUTHERS

one of the plaintiffs herein, being first duly sworn, was examined and testified as follows:

Direct Examination

By Mr. Sloan: * * * * *

Q. How did you happen to get started on the tuna machine?

A. While I was employed at the University I had my summers free and came back to the Coast to spend at least a part of my vacations, and at that particular time the tuna canning industry was just beginning to develop, that is, in the Northwest and on the Columbia River and, naturally, being interested in the cannery operations, I visited the canneries and spent considerable time just watching the operations, as a matter of something to do. During that time, just from observation, it seemed to me that there was an awful lot of hand labor in packaging the tuna that in some way could be avoided.

Q. Did you then attempt to build such a machine for that purpose?

A. Well, I just carried the idea in the back of my mind. I struck on what I thought would be a way of doing it, and then at various times from then on I more or less developed this thing in my mind until I got to the point where I thought it would be worth building an experimental machine to see if it would work.

Q. Where did you do that work?

A. I did that at Ithaca. * * * * *

(Testimony of Eben H. Carruthers.)

Q. Was the Pak-C-Lector a successful machine for general commercial use in the field of packing tuna?

A. Well, it was successful to the point that we did have 13 of these machines in actual use and they did produce.

Q. Was it so satisfactory you could put it into high-speed cannery production?

A. Well, it was not satisfactory for what at that time was called the Southern Tuna canning industry because they operated on a much higher production scale than the people in the Northwest were at the time.

Q. By "Southern," you mean those in Southern California or in California?

A. Mostly in and around San Diego.

* * * * *

Q. And that became known by what trade name?

A. That eventually became known as the Pak-Shaper.

Q. And at somewhat the same time did you develop a third machine?

A. Yes, the Pak-Former.

Q. Pak-Former? A. Yes.

Q. Explain to the Court the difference in the purpose of the Pak-Shaper machine and the Pak-Former machine.

A. Well, the Pak-Shaper machine was designed to pack tuna in cans in most any form, primarily in what they call the solid pack or fancy pack form.

When that machine was in operation, we found

(Testimony of Eben H. Carruthers.)

that to pack a different type of pack that the Van Camp Sea Food Company originally wanted to pack—they used it but it would not give them exactly the results they wanted, and it resulted in a variation or what finally developed into another machine to handle this exact type of what they called the chunk pack eventually.

* * * * *

Q. Mr. Carruthers, do the patents just referred to in this license agreement have any substantial value for any other purpose other than the processing of tuna fish?

A. No established value that I know of.

Q. Has any attempt ever been made to use them for any other purpose?

Mr. Winter: Don't lead him.

A. No.

Mr. Sloan: You may examine the witness.

Cross Examination

By Mr. Gilbert: * * * * *

I believe you have before you Defendant's Exhibit B-1 to B-16, which are copies of various patents.

I wish you would refer to Patent 2,601,093. Will you tell me what that refers to? It refers to one of your canning machines, evidently, but I couldn't tell whether it is the Pak-C-Lector or Pak-Shaper or Pak-Former.

A. What is the number?

Q. Serial No. 20894. The date is June 17, 1952.

A. What is the patent number?

(Testimony of Eben H. Carruthers.)

Q. 2,601,093.

A. Yes. I have it here.

Q. I wish you would refer to your description of that patent, the text of the description, and read it for the benefit of the Court, the first two paragraphs of that description.

A. "My invention relates to a method and means or a machine for packing a predetermined weight of bulk product.

"While the method and machine of my invention has been particularly designed for the packing of a predetermined bulk and thereby weight of tuna in a container, it has other uses in the packing of various fish products that may be adaptable to the packing of other bulk products such as some vegetables, for example sauerkraut and spinach, and certain meat products which are packed in bulk."

Q. Is that not true of all of these patents which counsel and you have referred to as being applicable to the tuna industry?

A. That is true, I think, in every patent; that is put in in case it is later found that they have that practicable operation you are not limited in scope. I think that is just a technical patent application.

Q. It is true, however, that in each application for a patent, any patent concerned here in your license agreement, you made the specific representation that it could have other uses other than the packing of tuna?

A. It could. There is no doubt but what it could.

(Testimony of Eben H. Carruthers.)

Q. And in some or in several of them you refer to specific industries, such as you do here, the packing of vegetables, sardines, salmon or other types of fish?

A. That is correct. Wherever there is the slightest possibility, whether it is proven or unproven, it is the usual procedure in patent specification writing to include it, and that does not in the slightest mean—we did not have to have any proof that the patent would actually work on those products, as far as the patent office is concerned.

Q. You would not have made such a representation unless you thought the patent had application in another industry?

A. I certainly thought the possibility existed that there could be, yes.

Mr. Gilbert: That is all, your Honor.

* * * * *

[Endorsed]: Filed June 29, 1953.

PLAINTIFFS' EXHIBIT No. 1

AGREEMENT

This Agreement made this 1st day of Feb., 1947, by and between Eben H. Carruthers, of Gearhart, Oregon, (hereinafter known as the "Licensor"); and E. H. Carruthers Company, a corporation organized and existing under the laws of the State of Oregon; (hereinafter known as the "Licensee")

Witnesseth:

Whereas, the Licensor has the entire right, title

Plaintiffs' Exhibit No. 1—(Continued)

and interest in and to the following applications for Letters Patent or inventions about to be filed in the United States Patent Office.

Method and Apparatus for Packing Products; Ser. No. 689,146; filing date August 8, 1946.

Method and Apparatus for Selectively Packing Products of Variable Weight; Ser. No. 444,510; filing date May 26, 1942.

Expansible and Contractible Means; Ser. No. 446,697; filing date Nov. 23, 1942.

Machine for Packing Products; Ser. No. 531,491; filing date April 17, 1944.

Apparatus for Packing Products of Variable Weight; Ser. No. 556,803; filing date Oct. 2, 1944.

Guillotine and Method of Cutting or Slicing Materials; Ser. No. 640,512; filing date Jan. 11, 1946.

Machine for forming and packing Flake Materials.

Apparatus for Forming Flake Materials.

Method of and Apparatus for Selectively Packing Products of Variable Weight; Ser. No. 428,319; Canadian Pat. issued June 27, 1945.

Apparatus for Packing Products of Variable Weight; Ser. No. 598,880; filing date June 11, 1945.

Whereas, the Licensor desires to transfer the right to manufacture, lease or operate machines developed by reason of such patents and inventions to the Licensee for the better development and exploitation of the same; and

Whereas, the Licensee is desirous of acquiring an

Plaintiffs' Exhibit No. 1—(Continued)

exclusive license in and to said applications for Letters Patent and inventions; and

Whereas, the Licensee is desirous of negotiating a loan from the Reconstruction Finance Corporation for the purpose of enabling it to carry on the business of manufacturing, leasing or selling machinery, and the Licensor is desirous of placing the Licensee in a position to negotiate said loan.

Now, Therefore, for and in consideration of the sum of One Dollar (\$1.00) each to the other in hand paid and other good and valuable considerations and the mutual performance of the undertakings herein set forth, it is agreed by and between the parties hereto as follows:

First: The licensor hereby grants to the licensee an exclusive non-transferable license under all of the above set forth applications and inventions together with the exclusive right to manufacture, use, sell, lease or rent machines in accordance with said applications and inventions, said exclusive license to extend throughout the United States and all foreign countries.

Second: The exclusive license above set forth shall extend throughout the term of any loan which may be negotiated with the Reconstruction Finance Corporation, but after said loan has been fully repaid, the exclusive character of this license shall terminate and the licensor shall be free to license others under said applications and inventions together with the right to license such others to manu-

Plaintiffs' Exhibit No. 1—(Continued)

facture, use, sell, lease or rent machines made in accordance with said applications and inventions.

Third: The parties recognize that under the terms of any loan which may be negotiated with the Reconstruction Finance Corporation, the payment of any royalties or other compensation by the Licensee to the Licensor during the term of said loan, may be restricted and it is therefore impossible or undesirable for the parties to this agreement at this time to agree upon the royalties payable to the Licensor for the exclusive rights granted herein. It is therefore contemplated by the parties that no fixed schedules of license fees shall be set forth herein but that the parties will, from time to time during the term of said loan, agree on a reasonable royalty and consult with the Reconstruction Finance Corporation to determine what, if any, payments in consideration of this license can be made. The parties further agree that upon the re-payment of said loan to the Reconstruction Finance Corporation, the parties will negotiate a royalty agreement which shall be fair to both Licensor and Licensee based in general on the net profits which the Licensee may derive from the manufacture, use, sale, lease or rental of machines in accordance with said applications and inventions.

Fourth: This agreement shall not be assignable or transferrable by the Licensee except to the successor or assignee of substantially the entire business of the Licensee, and not without the prior

Plaintiffs' Exhibit No. 1—(Continued)

written consent of the Licensor first had and obtained.

In Witness Whereof, the parties hereto have executed this Agreement on the day and year first above written.

EBEN H. CARRUTHERS,

E. H. CARRUTHERS COMPANY

By EBEN H. CARRUTHERS,
President

[Seal] By RICHARD SCHROEDER,
Secretary

State of Oregon,
County of Clatsop—ss.

Be It Remembered, that on this 19th day of May, A. D. 1947 before me, the undersigned, a Notary Public in and for said County and State, personally appeared the within named Eben H. Carruthers who is known to me to be the identical individual described in and who executed the within instrument and acknowledged to me that he executed the same freely and voluntarily.

In Testimony Whereof, I have hereunto set my hand and official seal the day and year last above written.

[Seal] GORDON SLOAN,
Notary Public for Oregon. My Commission expires
9/15/48.

Plaintiffs' Exhibit No. 1—(Continued)

State of Oregon,
County of Clatsop—ss.

On this 19th day of May, 1947, before me appeared Eben H. Carruthers and Richard Schroeder both to me personally known, who being duly sworn, did say that he, the said Eben H. Carruthers, is the President, and he, the said Richard Schroeder, is the Secretary of E. H. Carruthers Company, the within named Corporation, and that the seal affixed to said instrument is the corporate seal of said Corporation, and that the said instrument was signed and sealed in behalf of said Corporation by authority of its Board of Directors, and Eben H. Carruthers and Richard Schroeder acknowledged said instrument to be the free act and deed of said Corporation.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal, this the day and year first in this, my certificate, written.

[Seal]

GORDON SLOAN,

Notary Public for Oregon. My Commission expires
9/15/48.

Know All Men By These Presents, That E. H. Carruthers Company, for and in consideration of the granting of a loan by the Reconstruction Finance Corporation to E. H. Carruthers Company does, by these presents, set over and assign unto Reconstruction Finance Corporation all of its interest in and to the within Agreement or License from

Plaintiffs' Exhibit No. 1—(Continued)

Eben H. Carruthers to E. H. Carruthers Company.
That such assignment shall continue in full force
and effect until such loan shall have been paid
in full.

E. H. CARRUTHERS COMPANY

By EBEN H. CARRUTHERS,
President

[Seal] By RICHARD SCHROEDER,
Secretary

Full and complete consent is hereby given to the
above Assignment of the within Agreement.

EBEN H. CARRUTHERS

PLAINTIFFS' EXHIBIT No. 2

SPECIAL MEETING OF THE
STOCKHOLDERS

A special meeting of the Stockholders of the E.
H. Carruthers Company was held at the office of the
Company on Saturday, April 1, 1950, at the hour of
2:00 p.m. pursuant to notice to all of the Stock-
holders. The meeting was called to order by E. H.
Carruthers, the President of the Company, and
upon roll being taken it was determined that the
following Stockholders were present:

E. H. Carruthers, being the owner of 29 shares of
stock;

Richard Carruthers, being the representative of
the Bioproducts Company, the owners of 20 shares
of stock;

Plaintiffs' Exhibit No. 2—(Continued)

Winslow E. Thomson, being the owner of 10 shares of stock;

Richard Schroeder, being the owner of nine shares of stock;

Gordon Sloan, being the owner of three shares of stock.

In addition to Mr. Richard Carruthers, Bioproducts was also represented by Mr. James Hope, attorney at law. Mr. Richard Carruthers stated that Mr. Hope was acting as counsel for him in representing the interests of Bioproducts and would advise him as to their interests during the course of the meeting.

Thereupon, it was announced by Richard Schroeder, the Secretary, that he had sent notice to Myra Carruthers, the beneficial owner of 29 shares of the stock advising her of the time, place and date of meeting, and informing her that E. H. Carruthers would not attempt to vote her stock at this particular meeting, and that she would have the right to designate any person that she chose to attend the meeting in her place.

No person attended in the place of Myra Carruthers and she was not personally present.

Mr. Winslow Thomson then announced that he has been checking his records immediately prior to coming to Astoria for the meeting, and he had discovered that in filing some of the patent applications he had inadvertently filed with the applications an assignment from Mr. Carruthers to the Company; that it had not been his intention so to

Plaintiffs' Exhibit No. 2—(Continued)

do. He stated that he was well aware that it was not nor never had been the intention of either Carruthers or the Company that such patents should be assigned to it.

The designation of the actual applications and patents that had been assigned to the E. H. Carruthers Company was not immediately available but it was considered by the Stockholders and all Stockholders present were of the opinion that such patents should be re-assigned to Mr. Carruthers. It was acknowledged on the part of all Stockholders that at the time the Company was formed, it had not been the intention of the Company to attempt to own the patents.

Mr. Thomson then explained that if Mr. Carruthers retained title to the actual patents and granted an exclusive license to manufacture to the Company to use, sell or lease machinery in accordance with said patents that the Company would thereby have all the practical advantage of ownership of the patents, and title to the patents would not be subject to or jeopardized by an infringement suit against the Company. Motion was made and seconded that the Board of Directors should take immediate steps to see that the patents that had inadvertently been assigned to the Company and issued in the Company name be re-assigned to Mr. E. H. Carruthers, and that any applications that were filed in the name of the Company or which were inadvertently assigned to the Company should be withdrawn or the assignment made from the

Plaintiffs' Exhibit No. 2—(Continued)

Company back to E. H. Carruthers, and that he should retain the actual title to the patents. That such was for the best protection of the patents, and thereby, to the best interests of the Company. The motion was unanimously carried.

Thereupon, the President stated that the principal purpose of the meeting was to consider and definitely determine the relationship between the Company and him. That he had expended the past five years actually working for the Company and that the Company actually had the advantage of the previous five years of his best efforts and endeavors before the Company was formed, and for which he had not been paid. He also stated that he had come to the conclusion that it was necessary that his status in respect to the Company should be definitely fixed. Mr. Carruthers then stated that in order to bring the matter to issue he desired to state that there were three principal things that he desired if he was to continue to devote the substantial part of his time to the Company. In the first instance, he desired that he be paid a guaranteed monthly salary. Second, that he be paid a royalty for the use of the patents in the form of a fixed percentage of the gross receipts of the Company, and third, that he be paid a lump sum of approximately \$25,000.00, to be paid to him over a period of years, for the past use of the exclusive license to manufacture, use, sell and lease machinery under various of his patents which the Company had enjoyed and for which he had received

Plaintiffs' Exhibit No. 2—(Continued)

no consideration whatsoever. That in addition to this, he desired the right to retain all rights to inventions which he should develop that were not connected with the tuna industry. He stated he was willing that as to any inventions which he might make that were of use in the tuna industry, the Company should have exclusive rights in the tuna industry. That any other patents or rights in other industries should be his. That he would be willing to grant to the Company a right to purchase the patent or acquire an exclusive license to the use of the patent, but he would not continue to work and develop such patents or patentable ideas or products and have the Company automatically share in the same without consideration to him.

Thereupon, Mr. Richard Schroeder stated that he was in accord with the President, and that for the benefit of the rest of the Stockholders he desired to give a brief review of the work that Eben Carruthers had performed for the Company. He then stated that Mr. Carruthers had started his development work in about 1939 or 1940, and that from that date to this he had devoted substantially his entire time and energy to such development. That at the time he started he was a professor at Cornell University and that after he had worked for a long time upon his first machine, which afterwards became the "Pak-C-Lector", he came to the west coast in 1943, and thereafter he has devoted his entire time to the development of the various machines from which the Company now derives its income.

Plaintiffs' Exhibit No. 2—(Continued)

That during the period from 1943 to 1948 his income from the Company was a bare sustaining wage, and actually if computed upon an hourly rate would average about \$1.50 per hour. That at no time has Mr. Carruthers ever worked an eight-hour day, but that he has consistently worked ten, 12 and 14 hours a day and for the most part six and usually seven days a week. That during this period of time Mr. Carruthers received numerous opportunities of employment by large industries particularly during the war years. That he could have received upwards of \$1,000.00 a month as compensation from many of such concerns but this he refused and continued to devote his entire effort to these machines. That in addition to designing and creating the various machines from which the Company now derives benefit, Mr. Carruthers for the most part actually constructed the same with his own hands. That during these formative years the Company had no means by which it would pay sufficient help and Mr. Carruthers did the actual building himself with little help. That as a result the only consideration that Mr. Carruthers has actually ever received from the Company would no more than pay him an average low hourly rate of the actual labor he has expended. That at no time has Mr. Carruthers received from the Company so much as one dime for the basic idea which he had developed, and that the Company through all of these years has had the benefit of an exclusive license to manufacture, use, sell and lease the machinery of the inventions involved but

Plaintiffs' Exhibit No. 2—(Continued)

not any consideration has ever been paid to Mr. Carruthers therefor.

Mr. Schroeder further stated that at the time the Company negotiated a loan with the Reconstruction Finance Corporation, it was necessary for Mr. Carruthers to make a blanket commitment to the Company as to all his then patents and patent applications. This commitment was in the form of an exclusive license to manufacture and use the various patents and patent applications that Mr. Carruthers then had. At that time this commitment included the various "Pak-C-Lector" patents as well as the applications for the "Pak-Former." Mr. Schroeder stated that this agreement provided that when the R. F. C. loan was paid off, the Company was obligated to negotiate with Mr. Carruthers for adequate payment therefor. Such negotiation was never had and no consideration has ever been paid to Mr. Carruthers. The Company has had the exclusive license to use these inventions and patents for the entire period without any consideration. That in addition the Company had had the use and benefit of the "Pak-Shaper" patents and patent applications without any consideration being paid to Mr. Carruthers at any time, and that the principal income derived from the Company now comes from the "Pak-Former" and "Pak-Shaper" patents and patent applications and the machinery embodying such inventions. Mr. Schroeder then stated that he felt that the consideration stated by Mr. Carruthers would be fair, and that the same should be agreed

Plaintiffs' Exhibit No. 2—(Continued)

to, and the Company should enter into a contract with Mr. Carruthers for the benefit of Eben and his family without further delay.

There then followed approximately three hours' discussion upon this proposal. The same was opposed in various features by several of the Stockholders. Mr. Richard Carruthers, in behalf of Bio-products, together with his attorney, expressed the belief it was intended at the outset of the Company that Mr. Eben Carruthers was to devote his entire time to the Company and the Company was to have the advantage of these patents without additional consideration. Mr. Eben Carruthers stated such was not the fact and that in the event the Company did not see fit to enter into a contract along the lines suggested by him, that he would either move that the Company be sold, and he was certain the same could be sold, or that he would not devote any further time to the Company, but that he would cease working for the Company and would work for himself in such fields as he would desire to enter into. Eben Carruthers stated that he would not continue to work for the Company until his rights in respect of the Company were definitely settled and determined. After prolonged discussion and consideration, Mr. Schroeder made the following motion:

Be It Resolved that the Board of Directors of the Company be, and they hereby are, directed to enter into a contract with E. H. Carruthers whereby the

Plaintiffs' Exhibit No. 2—(Continued)

Company and Mr. Carruthers should agree as follows:

1. That E. H. Carruthers shall receive a guaranteed salary of not less than \$705.00 per month or in such other increased amount as the Board of Directors shall from time to time determine. Provided, however, that at any time the Board of Directors are considering his salary Mr. E. H. Carruthers shall not vote as a Director.

2. E. H. Carruthers shall receive an annual bonus at the discretion of a majority of the Board of Directors.

3. E. H. Carruthers shall be paid eight per cent (8%) of the gross receipts of the E. H. Carruthers Company resulting from any machine upon which he controls patents, exclusive, however, of any unearned advance to the Company for construction costs. Such payments shall be made to E. H. Carruthers or to his heirs or estate for so long as any income from any such machines shall continue to be received by the Company.

4. E. H. Carruthers shall retain the full title and all rights to any and all future inventions and patents developed by him, except those having reference to the tuna industry. In respect to any inventions or patents pertaining to the tuna industry, the Company shall have an exclusive license to manufacture, use, sell or lease machinery in accordance with the same for the tuna industry without further consideration other than the consideration herein fixed and determined. In respect of all other

Plaintiffs' Exhibit No. 2—(Continued)

inventions, patents and rights, the E. H. Carruthers Company shall have the first option to purchase an exclusive license to the manufacture, use, sale or lease of any machine, device or apparatus resulting from any such patents developed by said E. H. Carruthers at any time. That such option will grant to the E. H. Carruthers Company an opportunity to acquire the same for a fair and reasonable consideration to be agreed upon at such time as it shall be established that any such patent is for a commercially practicable machine, device, method or other apparatus. But in no event shall the E. H. Carruthers Company be required to pay to E. H. Carruthers for such exclusive license any greater sum or amount than E. H. Carruthers could receive from any other bona fide offer by any other person for such an exclusive license. And further provided, that in the event E. H. Carruthers Company shall expend any cost, technical assistance or other service to E. H. Carruthers for the development of any such patent the Company shall have a twenty per cent (20%) interest in the proceeds of such sale of any such patent or patent rights.

5. That such contract shall be entered into immediately and become in full force and effect from and after June 1, 1950.

The motion was seconded and after considerable additional discussion the matter was put to a vote. Of the Stockholders present, all the Stockholders, save and except Mr. Thomson, voted in favor of the motion. Mr. Thomson voted against the motion and

Plaintiffs' Exhibit No. 2—(Continued)

stated that he desired to explain his vote for in his opinion the contract proposed would not grant to E. H. Carruthers sufficient consideration or payment for his past services that the contract was fair perhaps for the future, but did not adequately provided valid consideration for the use that the Company had had of the various patent rights during the past several years. Mr. Eben Carruthers stated that he would be satisfied with such a contract and would be willing to enter into such a contract with the Company.

There being no further business to come before the meeting, the meeting adjourned.

RICHARD SCHROEDER,
Secretary

PLAINTIFFS' EXHIBIT No. 3

SPECIAL MEETING OF THE BOARD
OF DIRECTORS

A special meeting of the Board of Directors of the E. H. Carruthers Company was held at the office of Gordon Sloan in the Spexarth Building, Astoria, Oregon, immediately following the special meeting of the Stockholders on April 1, 1950. All of the Directors were present.

Mr. Schroeder said that it was necessary that the Company should fix and determine any bonus that should be paid to E. H. Carruthers for the preceding fiscal year through June 1, 1949 to May 31, 1950. After considerable discussion of the present

Plaintiffs' Exhibit No. 3—(Continued)

status of the Company, it was agreed that the Company should pay to Mr. Carruthers the sum of \$13,500.00 for such bonus. Upon motion being duly made and seconded, the same was unanimously passed.

The next order of business was the consideration of the payment of a dividend to the Stockholders. Upon giving careful consideration to the financial conditions of the Company, it was determined that a total dividend payment of \$5,000.00 to be paid to the Stockholders at the rate of \$50.00 per share for each share of stock held by every Stockholder would be proper. Upon motion being duly made and seconded, the Directors unanimously approved the payment of such a dividend.

It was then considered that Mr. Thomson had been paid no salary during the past year and that such salary should be fixed and paid to him. Upon various discussion and careful consideration, it was determined that a salary at the rate of \$625.00 per month, beginning June 1, 1949 and continuing to May 31, 1950, would be satisfactory and adequate. Upon motion being duly made and seconded, it was determined that such salary should be paid to him.

The Directors considered the motion approved at the Stockholders' meeting in regard to a Contract with E. H. Carruthers and directed the Vice-President and Secretary to have prepared and enter into a contract as directed by the Stockholders.

The officers were likewise instructed to take immediate steps to assign all patents and applications therefor to E. H. Carruthers.

Plaintiffs' Exhibit No. 3—(Continued)

There being no further business to come before the meeting, the meeting adjourned.

.....

Secretary



PLAINTIFFS' EXHIBIT No. 4

CONTRACT

This Agreement made and entered into this 27th day of May, 1950, by and between E. H. Carruthers, hereinafter designated "Carruthers", and E. H. Carruthers Company, an Oregon Corporation, hereinafter designated "Company";

Witnesseth:

That, Whereas, since the original organization of the Company, Carruthers has devoted his entire time, energy and abilities to the success and welfare of the Company and has heretofore granted to the Company an exclusive right or license to the use and benefit of certain of the inventions and patents developed by Carruthers, and which licenses have been and will continue to be of substantial value to the Company and for which Carruthers has never received any consideration; and

Whereas, on February, 1947 Carruthers granted to the Company an exclusive license to manufacture, use, sell and lease machinery under the then patents and patent applications owned by him, and that, in fact, the Company has had the use and benefit of additional patents and patent applications. That the terms and conditions of such

Plaintiffs' Exhibit No. 4—(Continued)

Agreement of February . . , 1947 have never been performed by the Company, and it is the desire of both parties hereto that the present and future rights in respect of such patents be definitely fixed and determined; and

Whereas, it is contemplated that Carruthers shall in the future endeavor to develop other inventions and patents, it is necessary that the respective rights of the parties be fixed with respect thereto.

Now, Therefore, in consideration of the covenants and agreements herein contained and of the previous, use, benefit and profit that the Company has heretofore received, as above set forth, and, likewise, in consideration of the rights herein extended to the Company to acquire an interest in the various machines, means, apparatus or devices that may be patented by Carruthers in the future, it is agreed by and between the parties hereto as follows:

1. That in consideration of the payments to be made to him by the Company and **other agreements** herein contained, Carruthers does hereby covenant and agree he shall hereafter devote to the Company a substantial part of his time to the building and improving of the various machines that shall be developed and built by the Company under licenses that Carruthers has heretofore and may hereafter grant to the Company, and that he shall otherwise devote his best efforts to the general welfare of the Company.

2. The Company agrees that it shall pay to Carruthers a guaranteed monthly salary presently fixed

Plaintiffs' Exhibit No. 4—(Continued)

at the rate of \$705.00 per month. That such amount may be increased but not decreased at the discretion of the Board of Directors. Provided, however, that Carruthers agrees that as a member of the Board of Directors he shall not exercise his vote at any meeting of the Board of Directors when his salary is under consideration.

3. That Carruthers shall, if the circumstances of the Company permit, be paid an annual bonus to be paid at the time and in the amount fixed by a majority of the Board of Directors.

4. The Company shall pay to Carruthers an amount equal to eight per cent (8%) of the gross receipts of E. H. Carruthers Company resulting from any machines upon which Carruthers controls the patents. Provided however, that such gross receipts shall not include the unearned advances made to the Company for construction costs by various other persons. Such payments shall be made to Carruthers and to his heirs, personal representatives or assigns for so long as any income from such machines shall continue to be received by the Company.

5. Carruthers shall retain all patent rights whatsoever in all past and future inventions developed by him, save and except such inventions or improvements which have reference to the tuna industry in respect of which the Company shall have the right to an exclusive license to manufacture, use, sell or lease any machine, device, method or apparatus to the tuna industry under such patents without

Plaintiffs' Exhibit No. 4—(Continued)

further consideration from the company to Carruthers other than the consideration set forth in the preceding three paragraphs. In respect of any other inventions developed by Carruthers, the Company shall have and is hereby granted a first option to purchase from Carruthers an exclusive license to manufacture, use, sell or lease any machine, device, method or apparatus resulting from any invention other than those in respect of the tuna industry obtained by Carruthers. Such option shall be exercised in the following manner: At such time as Carruthers shall determine that he has developed a commercially practicable invention, he shall notify the Company. The Company shall then pay to Carruthers such fair and reasonable consideration as may then be agreed upon, but that such consideration shall not in any event exceed the amount of any other bona fide offer, if any, that shall have been or may then be received by Carruthers for such an exclusive license. Provided, further, that in the event the Company shall expend any cost, technical assistance or other service to Carruthers in the development of any such invention, the Company shall then have a twenty per cent (20%) interest in the proceeds of the sale or licensing of such patent or patent rights in the event Carruthers shall sell or assign the same to some other person or shall grant a license to some other person. In the event the Company shall not exercise the option herein granted within sixty (60) days from the date it receives notice from Carruthers such option shall

Plaintiffs' Exhibit No. 4—(Continued)

terminate, and Carruthers shall be free to sell such patent or to grant an exclusive or non-exclusive license thereto to any other person for such consideration as Carruthers shall deem fit and proper, subject to the then interest, if any, of the Company in such invention as herein provided.

The benefits of this Agreement shall inure to and the obligations shall be binding upon the parties hereto, their heirs, successors and assigns.

Witness the hand and seal of the parties hereto the day and year first above mentioned. That such Agreement is entered into by and on behalf of the Company by its Vice President and Secretary pursuant to the authority and direction of its Board of Directors.

[Seal]
E. H. CARRUTHERS COMPANY

[Seal] By
Vice President

[Seal] By

PLAINTIFFS' EXHIBIT No. 5

LICENSE AGREEMENT

This License Agreement made and entered into this 31st day of May, 1950 by and between Eben H. Carruthers of Warrenton, Oregon (hereinafter designated "Carruthers") and E. H. Carruthers Co., a corporation organized and existing under the laws of the State of Oregon (hereinafter designated "Company");

Plaintiffs' Exhibit No. 5—(Continued)

Witnesseth:

Whereas, Carruthers is the owner of the entire right, title and interest in and to certain patents and applications for patents, both domestic and foreign; and

Whereas, the Company is desirous of obtaining certain rights under said patents and applications for patents; and

Whereas, the parties have heretofore entered into a certain agreement dated May 27, 1950 hereinafter called "employment agreement" whereby the parties hereto undertake certain mutual obligations and responsibilities and this License Agreement is made pursuant to said employment agreement;

Now, Therefore, in consideration of said employment agreement, it is agreed by and between the parties hereto as follows:

1. Carruthers hereby grants to the Company an exclusive license to manufacture, use, sell or lease machinery or to practice any method in accordance with or as set forth in the following United States and foreign patents and applications for patents, together with the right to sublicense others:

Applications in the name of Eben H. Carruthers:

Ser. No. 689,146; filed Aug. 8, 1946; title: Method and Apparatus for Packing Products.

Ser. No. 774,625; filed Sept. 17, 1947; title: Apparatus for Forming and Compressing Materials.

Ser. No. 774,626; filed Sept. 17, 1947; title: Method and Apparatus for Packing Flake Materials.

Ser. No. 121,172; filed Oct. 13, 1949; title: Ma-

Plaintiffs' Exhibit No. 5—(Continued)

chine for Packing a Pre-determined Weight of Bulk Products.

Ser. No. 640,512; filed Jan. 11, 1946; title: Guillotine and Method of Cutting or Slicing Materials.

Ser. No. 20,894; filed April 14, 1948; title: Method and Machine for Packing a Predetermined Weight of Bulk Products.

Ser. No. 39,274; filed July 17, 1948; title: Method of Packing Materials in Containers, Particularly Fish Products and Product Produced Thereby.

Ser. No. 131,392; filed Dec. 6, 1949; title: Hopper Construction for Food Packing Machines.

Applications in the name of Eben H. Carruthers and Ernest M. Cameron: Ser. No. 115,814; filed Sept. 15, 1949; title: Guillotine and Method of Cutting Materials.

Application in the name of Jesse E. Whittington: Ser. No. 139,854; filed Jan. 21, 1950; title: Guillotine and Method of Cutting Materials.

Application in the name of Eben H. Carruthers: (Canadian) Ser. No. 586,598; filed April 12, 1949; title: Method and Machine for Packing a Predetermined Weight of Bulk Product.

Patents in the name of Eben H. Carruthers:

Patent No. 2,490,945; issued Dec. 13, 1949; title: Apparatus for Weighing and Sorting Articles.

Patent No. 2,475,422; issued July 5, 1949; title: Machine for Packing Products.

Patent No. 2,470,976; issued May 24, 1949; title: Apparatus for Packing Products of Variable Weight.

Plaintiffs' Exhibit No. 5—(Continued)

Patents in the name of Eben Hunter Carruthers:

Patent No. 2,470,916; issued May 24, 1949; title: Method and Apparatus for Selectively Packing Products of Variable Weight.

Patent No. 2,434,607; issued Jan. 13, 1948; title: Expansible and Contractible Means for Compressing and Shaping a Yielding Pliant Mass.

Patent No. 428,319 (Canadian); issued June 27, 1945; title: Method and Apparatus for Selectively Packing Products of Variable Weight.

Foreign applications in the name of Eben Hunter Carruthers, corresponding to U. S. application Serial No. 20,894 filed April 14, 1948:

Union of S. Africa: No. 797/49, patent issued April 13, 1949; No. 7983, patent issued Nov. 28, 1949.

Philippine Islands.

Australia: No. 27046/49; patent issued April 14, 1949.

New Zealand: No. 101358; patent issued April 13, 1949.

Japan: No. 3713/49; patent issued April 13, 1949.

Mexico: No. 27,520; patent issued April 13, 1949.

Portugal: No. 27,283; patent issued April 13, 1949.

2. The exclusive license set forth above is limited to the tuna canning industry but shall extend to the end of the term of any patent listed or to the end of the term of any patent which may issue upon a patent application listed, except that this license agreement (including paragraph 3 hereof) shall terminate in the event the Company fails to meet the obligations on its part to be performed as set forth

Plaintiffs' Exhibit No. 5—(Continued)

in the employment agreement heretofore mentioned.

3. Carruthers is also the owner of the entire right, title and interest in and to United States application for letters patent No. 119,467 filed Oct. 4, 1949 and entitled "Apparatus for Packing Food Products". Carruthers acknowledges that the Company has extended technical assistance and other services to Carruthers in the development of a machine or machines in accordance with said application and that pursuant to paragraph 5 of said employment agreement, the Company has a 20% interest in the proceeds of the sale or the income from any licensing of such application or any patent or patents to issue thereon. Carruthers further acknowledges that such application or the patent or patents to issue thereon are subject to the option agreement set forth in paragraph 5 of said employment agreement.

Witness the hand and seal of the parties hereto the day and year first above written. That such Agreement is entered into by and on behalf of the Company by its Vice-President and Secretary pursuant to the authority and direction of its Board of Directors.

[Seal] EBEN H. CARRUTHERS

E. H. CARRUTHERS CO.

[Seal] By WINSLOW E. THOMSON
Vice-President

[Seal] By RICHARD SCHROEDER
Secretary

DEFENDANT'S EXHIBIT A

* * * * *

Instrument dated April 7, 1948 (acknowledged).
Recorded Apr. 14, 1948. Liber R 215 page 31.

Eben H. Carruthers to E. H. Carruthers Co.,
Warrenton, Oreg., corp. of Oregon.

Eben H. Carruthers, Inventor. Method and Ma-
chine for Packing a Predetermined Weight of Bulk
Product. Appln. exctd. Apr. 7, 1948. Pat. 2,601,093.
June 17, 1952.

Assigns entire right, title and interest in the in-
vention described in said application.

Instrument dated May 31, 1948 (acknowledged).
Recorded July 17, 1948. Liber T 216 page 196.

Eben H. Carruthers to E. H. Carruthers Co.,
Warrenton, Oregon, corp. of Oregon.

Eben H. Carruthers, Inventor. Method of Pack-
ing Materials in Containers, Particularly Fish
Products and Product Produced Thereby. Appln.
exctd. May 31, 1948.

Assigns entire right, title and interest in the in-
vention described in said application.

Instrument dated Mar. 31, 1949 (acknowledged).
Recorded Apr. 23, 1949. Liber X 219 page 260.

Eben H. Carruthers to E. H. Carruthers Co.,
Warrenton, Oreg., corporation of Oregon.

Eben H. Carruthers, Inventor. Apparatus for
Selectively Packing Products of Variable Weight.
Appln. exctd. May 22, 1942. Filed May 26, 1942.
Ser. No. 444,510. Pat. 2,470,916. May 24, 1949.

Defendant's Exhibit A—(Continued)

Assigns entire right, title and interest in the invention described in said application.

Instrument dated Mar. 31, 1949 (acknowledged). Recorded Apr. 23, 1949. Liber X 219 page 261.

Eben H. Carruthers to E. H. Carruthers Co., Warrenton, Oreg., corp. of Oregon.

Eben H. Carruthers, Inventor. Apparatus for Packing Products of Variable Weight. Appln. exctd. June 5, 1945. Filed June 11, 1945. Ser. No. 598,880. Pat. 2,470,976. May 24, 1949.

Assigns entire right, title and interest in the invention described in said application.

Instrument acknowledged May 31, 1949. Recorded June 7, 1949. Liber K-220, page 540.

Eben H. Carruthers to E. H. Carruthers Co., Warrenton, Oreg. corporation of Oreg.

Eben H. Carruthers, Inventor. Machine for Packing Products. Appln. exctd. Apr. 6, 1944. Filed Apr. 17, 1944 S. N. 531,491. Pat. 2,475,422—July 5, 1949.

Assigns entire right, title and interest in the invention set forth in said application.

Instrument dated Sept. . . , 1949. Acknowledged Sept. 7 and 10, 1949. Recorded Sept. 15, 1949. Liber L-221, page 616.

Eben H. Carruthers and Ernest M. Cameron to E. H. Carruthers Co., Warrenton, Oreg., Corporation of Oreg.

Eben H. Carruthers and Ernest M. Cameron, In-

Defendant's Exhibit A—(Continued)

ventors. Guillotine and Method of Cutting Materials. Appln. exctd. Sept. 7, 1949.

Assign entire right, title and interest in the invention described in said application.

Instrument acknowledged Nov. 30, 1949. Recorded Dec. 6, 1949. Liber H-222, page 446.

Eben H. Carruthers to E. H. Carruthers Co., Warrenton, Oreg., Corporation of Oreg.

Eben H. Carruthers, Inventor. Hopper Construction for Food Packing Machines. Appln. exctd. Nov. 30, 1949. Pat. 2,602,579—July 8, 1952.

Assigns entire right, title and interest in the invention described in said application.

Instrument acknowledged May 27, 1950. Recorded June 8, 1950. Liber J-224, page 127.

E. H. Carruthers Co. Corporation of Oreg., to Eben H. Carruthers, Warrenton, Oreg.

Eben H. Carruthers, Inventor. Method and Apparatus for Selectively Packing Products of Variable Weight. May 24, 1949, 2,470,916. Apparatus for Packing Products of Variable Weight. May 24, 1949, 2,470,976. Machine for Packing Products, July 5, 1949, 2,475,422. Method and Machine for Packing a Predetermined Weight of Bulk Products, filed Apr. 14, 1948, Ser. No. 20,894, Pat. 2,601,093, June 17, 1952. Method of Packing Materials in Containers, Particularly Fish Products and Product Produced Thereby, filed July 17, 1948, Ser. No. 39,274. Hopper Construction for Food Packing Machines,

Defendant's Exhibit A—(Continued)

filed Dec. 6, 1949, Ser. No. 131,392, Pat. 2,602,579, July 8, 1952.

Eben H. Carruthers and Ernest M. Cameron, Inventors. Guillotine and Method of Cutting Materials. Filed Sept. 15, 1949, Ser. No. 115,814.

Also another invention of another inventor.

Recites that by inadvertence or mistake certain patents or applications were assigned by Assignee to Assignor and that Assignor desires to correct said error.

Assignor assigns its entire right, title and interest in and patents and applications.

Certification attached.

DEFENDANT'S EXHIBIT B-9

Patented May 24, 1949

2,470,916

United States Patent Office—2,470,916

Apparatus for Selectively Packing Products of Variable Weight. Eben Hunter Carruthers, Ithaca, N. Y., assignor to E. H. Carruthers Co., Warrenton, Oreg., a corporation of Oregon. Application May 26, 1942, Serial No. 444,510. 18 Claims. (Cl. 209—121).

My invention relates to a sorting and selecting method and apparatus for use in the packing of a plurality of products or articles of variable weight in a single container. While the method and apparatus of my invention may have other uses, it has primarily been originated for use in the tuna industry. Reference is made to my abandoned copending

Defendant's Exhibit B-9—(Continued)

application Serial No. 398,460, filed June 17, 1941, entitled Apparatus for selectively packing products of variable weight of which the present application is a continuation in part.

The present practices in the tuna industry employed in packing the fish are time consuming and expensive. The precooked fish are carefully split lengthwise into their natural quarter sections. These sections are then, after being cleaned, sliced perpendicular to their lengths into pieces of a length somewhat less than the height of the can or other container in which they are to be packed. It will be appreciated, since the tuna vary in size, that the quartered sections vary in size and weight. Moreover, each fish varies in cross sectional area from head to tail. These two factors result in pieces of tuna which, although of uniform length, vary greatly in size and weight.

In the present method of packing the pieces are brought to the packing employees on large trays. With the size of cans at present employed two or more (usually three or four) pieces of tuna are required to fill the can. The packer selects, for example, two pieces which partially fill the can and then attempts, judging from the space remaining, to fill the can by selecting a third piece which will fill the can. This preferably should not be done by breaking the third piece to the proper size since the price of tuna is, to a large extent, dependent on the size of the pieces. Scraps, small and broken pieces, are sold at an appreciable discount.

Defendant's Exhibit B-9—(Continued)

The selection of a third or fourth piece to fill the can requires the exercise of judgment. Moreover, this judgment is based on size alone without regard to the weight of the pieces. While the weight is to a large extent a function of the size of the piece, it is difficult for the packer to judge the size by inspection. For this reason, after the can is filled, it must be checked for weight. If the weight does not fall within predetermined limits, a small piece of fish must be taken out or added as the particular case may require. This operation is time consuming and results in further handling and breakage of the pieces.

* * * * *

DEFENDANT'S EXHIBIT B-10

Patented Jan. 13, 1948

2,434,607

United States Patent Office

2,434,607

Expansible and Contractible Means for Compressing and Shaping a Yielding Pliant Mass. Eben Hunter Carruthers, Ithaca, N. Y. Application November 23, 1942, Serial No. 466,697. 6 Claims. (Cl. 226—101).

My invention relates to expansible and contractible means or what might be termed a chucking device. While the chucking device of my invention may have other uses, the apparatus has been designed particularly for use in the compacting and

Defendant's Exhibit B-10—(Continued)

shaping of a plurality of somewhat pliant articles so that they may be shaped and conformed to a can or other container for the purposes of packing the articles.

Reference is made to my copending applications Serial No. 398,460, filed June 17, 1941, and since abandoned, and Serial No. 444,510, filed May 26, 1942, both entitled Method and apparatus for selectively packing products of variable weight.

In the above mentioned applications I have shown and described a method and machine adapted to sort a plurality of articles of variable weight; and select from the sorted articles a plurality of articles whose combined weight equals substantially the desired weight to be packed in a can or other container. The machine of the above mentioned applications also includes an expansible and contractible device in which the selected somewhat pliant pieces are placed so as to be shaped and compacted for the purpose of conforming the mass of articles to the shape of the can or container which they are to occupy, together with means for transferring the shaped and compacted articles to the cans.

The present invention relates to improvements in the expansible and contractible device or the conforming and shaping apparatus of the above mentioned applications. While the present invention may have other uses, it has been particularly designed for use in the packing of tuna or other materials which are more or less yielding and pliant so that the mass formed by the plurality of pieces

Defendant's Exhibit B-10—(Continued)

may be pressed, shaped and conformed to the container which they are to occupy.

An object of my invention is to provide an expansible and contractible device or chucking apparatus, of simple construction, which is particularly suited to conform and shape a pliant mass so that it may be packed in a can or other container.

Another object of my invention is to provide a shaping and conforming apparatus capable of conforming a plurality of pieces of tuna to the shape of a can or other container without the necessity of placing the pieces of tuna in any particular manner within the shaping and conforming apparatus.

My invention further contemplates the provision of a chucking device having two opposed jaws or article engaging surfaces which are movable relative to each other to and from a contracted position, together with a second pair of jaws or article engaging surfaces which are also movable toward and from a contracted position under the control of and regulated by the first mentioned jaws to thus provide an expansible and contractible device which acts with equal force on all sides of the mass so as to properly and accurately shape the mass and condition it for delivery to a can or other container. * * * *

DEFENDANT'S EXHIBIT B-11

Patented July 5, 1949

2,475,422

United States Patent Office

2,475,422

Machine for Packing Products. Eben H. Carruthers, Warrenton, Oreg., assignor to E. H. Carruthers Co., Warrenton, Oreg., a corporation of Oregon. Application April 17, 1944, Serial No. 531,491. 16 Claims. (Cl. 226—101).

My invention relates to a machine for packing articles, particularly articles of variable weight, in a container to the end that the total weight of the articles or material in the container may be substantially predetermined. Reference is made to my copending applications, Serial No. 398,460, filed June 17, 1941, and now abandoned; Serial No. 444,510, filed May 26, 1942, now Patent No. 2,470,916, dated May 24, 1949, and Serial No. 466,697, filed November 23, 1942, now Patent No. 2,434,607, dated Jan. 13, 1948. The apparatus of my invention has other uses but, for purposes of illustration, it will be described and has been originated primarily for use in the tuna packing industry.

The present practices in the tuna industry employed in packing the fish are both time consuming and expensive. The pre-cooked fish are carefully split lengthwise into their natural quarter sections. These sections are then, after being cleaned, sliced perpendicular to their lengths into pieces of a length somewhat less than the height of the can or other container into which they are to be packed. It will

Defendant's Exhibit B-11—(Continued)

be appreciated since the tuna vary in size that the quartered sections vary in size and weight. Moreover, each fish varies in cross section from head to tail. These two factors, after quartering and slicing, result in pieces of tuna which although of uniform length vary greatly in size and weight.

The present hand method of packing tuna is entirely a hand labor operation requiring a large number of reasonably skilled operators. Moreover, the tuna is broken up by reason of excessive handling and fitting of the pieces during packing and these broken pieces must be sold at a substantial discount. In my copending applications, Serial Nos. 398,460 and 444,510, I have shown and described a method and apparatus for selectively packing products, in particular, tuna, wherein the articles are weighed and segregated into separate compartments in accordance with their weight. A plurality of pieces of tuna are then automatically selected from a plurality of the weight groups which will make up the predetermined weight desired to be placed in the container. Following this operation the container is filled with, for example, the three or four pieces selected. The present invention relates to the packing end of the machine of the above mentioned copending applications.

An object of my invention is to provide a machine for packing a plurality of articles in a can or other container.

* * * * *

DEFENDANT'S EXHIBIT B-12

Patented Dec. 13, 1949

2,490,945

United States Patent Office

2,490,945

Apparatus for Weighing and Sorting Articles. Eben H. Carruthers, Warrenton, Oreg. Application October 2, 1944, Serial No. 556,803. 11 Claims. (Cl. 209—121).

My invention relates to apparatus for packing products of variable weight. Reference is made to my copending applications, Serial No. 398,460, filed June 17, 1941, now abandoned and Serial No. 444,510, Patent No. 2,470,916 filed May 26, 1942, both entitled Method and apparatus for selectively packing products of variable weight.

In the above mentioned applications I have shown and described a method and machine particularly adapted for although by no means limited to the packing of tuna. In the machines of the above inventions, the tuna after being quartered are cut into pieces, weighed and sorted into separate groups or compartments. A plurality of pieces of tuna are then selected automatically which have a predetermined combined weight with which a can is to be filled. The pieces are then packed in a can or other suitable container.

The present invention relates to improvements in the weighing mechanism and is suitable for use in a machine of the general type shown in the above mentioned copending applications. While the mechanism of the present invention will be described

Defendant's Exhibit B-12—(Continued)

in connection with the packing of tuna, it will be understood that the invention has broader application and may be used generally.

An object of my invention is to provide an improved weighing and sorting mechanism.

Another object of my invention is to provide a sensitive and accurate weighing mechanism, in combination with a sorting mechanism, capable of performing the weighing operation and sorting the articles while the articles being weighed are in motion.

A further object of my invention is to provide a weighing mechanism which is rapid in action whereby the articles being weighed may be maintained in continuous motion and so that when an article passes over the scale or weighing arm the operation of the rapid or snap action weighing mechanism is capable of actuating mechanism for displacing the article being weighed off the scale or weighing arm at the proper time.

* * * * *

DEFENDANT'S EXHIBIT B-13

Patented Nov. 20, 1951

2,575,703

United States Patent Office

2,575,703

Method for Packing Food Products. Eben H. Carruthers, Warrenton, Oreg. Application August 8, 1946, Serial No. 689,146. 8 Claims. (Cl. 99—171).

Defendant's Exhibit B-13—(Continued)

My invention relates to a method of and apparatus for packing or canning materials or products, particularly food products, which may vary in weight, such as fish. While the method and apparatus of my invention will be described particularly in connection with the packing or canning of tuna fish, it will be appreciated that my invention has application to the packing of other food products where the product is susceptible of moulding or compacting. The method and apparatus has particular application to the packing of other fish products such as salmon or sardines.

An object of my invention is to provide an improved method and apparatus, particularly adapted to the packing or canning of fish such as tuna.

Another object of my invention is to provide a method and means of packing fish, particularly tuna, which eliminates the present necessity of cutting each loin of fish separately transversely of the loin into pieces corresponding to the height of the can into which the pieces are to be packed and the subsequent packing of the individual cut pieces into the can in which the tuna is to be marketed.

Another object of my invention is to provide a method and apparatus for canning fish wherein weighing mechanism is provided adapted to feed the fish loins for subsequent packing operations at a substantially uniform weight rate per unit of distance, or at intervals of time proportional to their weight.

* * * * *

DEFENDANT'S EXHIBIT B-14

Patented June 17, 1952

2,601,093

United States Patent Office

2,601,093

Method and Apparatus for Packaging a Predetermined Weight of Food Material. Eben H. Carruthers, Warrenton, Oreg. Application Apr. 14, 1948, Serial No. 20,894. 48 Claims. (Cl. 99 188).

My invention relates to a method and means or machine for packing a predetermined weight of bulk product.

While the method and machine of my invention has been particularly designed for the packing of a predetermined bulk and thereby weight of tuna in a container, it has other uses in the packing of various fish products and may be adaptable to the packing of other bulk products such as some vegetables, for example sauerkraut and spinach, and certain meat products which are packed in bulk.

Until recently, tuna fish has been packed by hand, the loins of tuna being cut transversely of the fish into pieces the height of the can. The packer then taking three or four pieces, attempted to fit these pieces into a can to provide a predetermined desired weight of tuna. In my copending application, Serial Number 444,510, filed May 26, 1942, now Patent Number 2,470,916 issued on May 24, 1949, I have shown a machine for weighing the pieces of tuna; separating them into groups in accordance with their weight; then combining three or more pieces to obtain a predetermined weight of tuna; and then

Defendant's Exhibit B-14—(Continued)

packing that predetermined weight of fish in a can. The method and machine of that application is now in successful use in a number of canneries.

In my application Serial Number 689,146, filed August 8, 1946, now Patent Number 2,575,703 issued on November 20, 1951, and entitled "Method for Packing Food Products," I have sought to provide a method for packing tuna and other products which would eliminate the necessity of cutting the loins of tuna into chunks or pieces approximately the height of the container in which the tuna is to be packed and the elimination of the necessity of weighing the individual small pieces of tuna with the purpose of increasing production and further cutting down labor costs.

In the machine of the last mentioned application, whole loins are individually and accurately weighed and then fed to a compressing and molding tube in accordance with their weight. That is the loins are fed into the molding tube at a weight rate which is substantially constant per unit length of the conveyor which feeds the loins into the forming and molding section of the machine. After the loins of tuna have been formed into a cylindrical elongated roll of substantially constant weight per unit of length, sections of the roll are cut off and successively transferred to the containers in which the tuna is to be packed. The present invention seeks further simplification of the process of packing tuna set forth in my co-pending application Serial Number 689,146. * * * * *

DEFENDANT'S EXHIBIT B-15

Patented Sept. 4, 1951

2,567,052

United States Patent Office

2,567,052

Method and Apparatus for Packing Flake Materials. Eben H. Carruthers, Warrenton, Oreg. Application September 17, 1947, Serial No. 774,626. 38 Claims. (Cl. 226—103).

My invention relates to a method and apparatus for packing flake materials and, while not limited to this purpose, has been primarily developed for the purpose of packing flake tuna fish.

An object of my invention is to provide an efficient machine adapted to compress or form flake tuna into a cake and pack such tuna in a can which when opened by the user presents an attractive homogeneous appearance.

Another object of my invention is to provide a method of packing moist flaky materials in which a compression chamber is loosely filled with such materials, thereafter the materials are pre-compressed to form a mass of uniform density, then the mass is trimmed to a desired volume to arrive at a mass of the desired weight, and thereafter the mass is compressed to form a cake of sufficient cohesiveness and rigidity that the cake will retain its cake form during packing in a can and maintain such form until the can is emptied for use.

A further object of my invention is to provide a machine adapted to compress flake tuna or other materials capable of being compressed into a cake

Defendant's Exhibit B-15—(Continued)

and pack a substantially uniform predetermined weight of such materials into a can.

My invention further contemplates the provision of a machine which includes a series of compression chambers which may be filled with a predetermined volume or weight of tuna in flake form and compressed into a cake and then transferred to a can, the compression of the tuna being sufficient and its cohesiveness being such that when in the can, with oil, upon opening the can and inverting it, the cake of tuna will drop out of the can as a whole cake.

Other objects and advantages of my invention will be set forth in the claims and will be apparent from the following description, when taken in connection with the accompanying drawings, in which:

* * * * *

 DEFENDANT'S EXHIBIT B-16

Patented July 8, 1952

2,602,578

United States Patent Office

2,602,578

Apparatus for Packing Materials. Eben H. Caruthers, Warrenton, Oreg. Application March 29, 1951, Serial No. 218,209. 29 Claims. (Cl. 226—96).

My invention relates to apparatus for packing materials.

The machine of this invention will be described primarily in connection with the packing of so-called flake and chunk packs of tuna fish. However, with

Defendant's Exhibit B-16—(Continued)

adaptations and modifications, the machine may be employed in connection with the packing of other products of a semi-flowable or non-flowable nature particularly meat products. The principles of the machine may also have application in the packing of other food products such for example, as cut string beans and non-food products such as cosmetics.

Reference is made to my co-pending application Serial No. 774,626, now Patent No. 2,567,052, filed September 17, 1947, and entitled "Method and Apparatus for Packing Flake Materials."

Reference is also made to my co-pending applications Serial Nos. 39,274, filed July 17, 1948, entitled "Method of Packing Materials in Containers Particularly Fish Products and Product Produced Thereby"; 131,392, filed December 6, 1949, entitled "Hopper Construction for Food Packing Machines"; and 774,625 (now abandoned) filed September 17, 1947, entitled "Apparatus for Forming and Compressing Materials."

In my application Serial No. 774,626, I have described and claimed a method and machine for packing products particularly tuna fish in which the tuna in a flake or chunk condition is fed to the machine. The tuna is filled into pockets or cylinders which are continuously moved through a path of travel. Force is applied to the product at some point during the filling operation to fill voids, expel air

Defendant's Exhibit B-16—(Continued)

and insure a substantially uniform homogeneous fill of the pockets. This may be done by a force filling of the pockets, a precompressing of the product or a combination of these actions. After the force filling operation which in practice overfills the pocket, the size of the pocket is reduced by an amount which may be adjusted and the excess trimmed or removed to bring the amount of tuna in the pocket to the desired predetermined weight to be placed in the container to be filled. Thereafter, in the case of tuna, compression forces are applied to compress the tuna into a cake or slug of the desired dimensions for deposit in the container. The tuna is of a moist oily nature and I have found that, after compression, it will retain approximately the dimensions to which it was compressed and that if the cake is made slightly smaller in diameter than the container, an annular space is provided around the cake for the reception of oil to protect the tuna during retorting. Moreover, when the container is opened, the container may be inverted and the cake will usually drop out as a whole cake of approximately the dimensions to which it was compressed.

* * * * *

[Endorsed]: No. 13,932. United States Court of Appeals for the Ninth Circuit. United States of America, Appellant, vs. Eben H. Carruthers and Nancy Carruthers, Appellees. Transcript of Record. Appeal from the United States District Court for the District of Oregon.

Filed: July 24, 1953.

/s/ PAUL P. O'BRIEN,

Clerk of the United States Court of Appeals for the Ninth Circuit.

In the United States Court of Appeals
for the Ninth Circuit

No. 13,932

UNITED STATES OF AMERICA,

Appellant,

vs.

EBEN H. CARRUTHERS and NANCY

CARRUTHERS,

Respondents.

STATEMENT OF POINTS AND DESIGNA-
TION OF RECORD ON APPEAL

The United States of America, appellant in the above-entitled case, adopts the Statement of Points filed in the United States District Court for the District of Oregon, as the Statement of Points to be Relied Upon in this court, and in accordance with Rule 17(6) of the Rules of the United States Court of Appeals, Ninth Circuit, desires that portion of the Designation of the Record on Appeal heretofore

filed in the United States District Court for the District of Oregon, pursuant to Rule 75 of the Federal Rules of Civil Procedure, to be printed as follows:

1. Plaintiffs' complaint.
2. Defendant's answer.
3. Pre-Trial Order dated November 21, 1952.
4. Page 34, beginning with the third line, and Page 35 of the Transcript of Proceedings dated November 21, 1952.
5. Plaintiffs' Exhibits No. 1 through 5; of defendant's Exhibit A, pages 4 through 6; of defendant's Exhibit B, we wish only certain statements from eight of the patent applications, as follows:

The heading and paragraph one of page one of Patent No. 2,470,916, Apparatus for Selectively Packing Products of Variable Weight.

The heading and paragraphs one and two of page one of Patent No. 2,602,578, Apparatus for Packing Materials.

The heading and paragraph one of page one of Patent No. 2,475,422, Machine for Packing Products.

The heading and paragraphs one, two and three of page one of Patent No. 2,490,945, Apparatus for Weighing and Sorting Articles.

The heading and paragraphs one, two, three and four, page one of Patent No. 2,434,607, Expansible and Contractible Means for Compressing and Shaping a Yielding Pliant Mass.

The heading and paragraphs one, two and three,

page one, of Patent No. 2,567,052, Method and Apparatus for Packing Flake Materials.

The heading and paragraph one, page one, of Patent No. 2,575,703, Method for Packing Food Products.

The heading and paragraphs one and two, page one, of Patent No. 2,601,093, Method and Apparatus for Packaging a Predetermined Weight of Food Material.

6. Finding of Fact and Conclusions of Law.

7. Judgment entered March 3, 1953.

8. Notice of Appeal.

9. All docket entries.

10. All orders of this Court relating to preparation of the record, or contents thereon, on appeal, or extensions of time for filing of record, or docketing case on appeal.

11. Statement of points on which appellant will rely.

12. Designation of Record on appeal.

Dated at Portland, Oregon, this 30th day of July, 1953.

/s/ VICTOR E. HARR,

Assistant United States Attorney
for the District of Oregon,
Of Attorneys for Appellant

Affidavit of Service by Mail attached.

[Endorsed]: Filed Aug. 3, 1953. Paul P. O'Brien,
Clerk.

[Title of U. S. Court of Appeals and Cause.]

APPELLEES' DESIGNATION OF RECORD
ON APPEAL

Come now the Appellees and, in accordance with the provisions of Rule 17(6) of the Rules of the United States Court of Appeals for the Ninth Circuit, designate the following additional portions of the record to be printed:

1. The following portions of the Transcript of Proceedings dated November 21, 1952:

(a) The last two lines on page eight and to and including the answer, "I did that at Ithaca", on page nine.

(b) Beginning with the third line of page fourteen and continuing to and including the answer, "Mostly in and around San Diego", on the same page.

(c) Beginning with the question, "And that became known by what trademark?", on page 21, and continuing to (but not including) the last two lines on that page.

(d) The last three lines on page 27 and the first five lines of page twenty-eight.

2. The next three paragraphs in each of the patent applications following the paragraphs of defendants' Exhibit B designated by Appellant.

Dated at Portland, Oregon, this 6th day of August, 1953.

/s/ CHARLES P. DUFFY,
Of Attorneys for Appellees.

Affidavit of Service by Mail attached.

[Endorsed]: Filed Aug. 8, 1953. Paul P. O'Brien,
Clerk.